

Message Text

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SUBJ: COMPLAINTS BY GOK OVER PERFORMANCE OF PERINI CORPORATION

1. ON TWO SEPERATE OCCASIONS RECENTLY UNDERSECRETARY MINISTRY OF PUBLIC WORKS BADR SAUD ABDULRAZZAK HAS COMPLAINED TO EMBOFFS ABOUT PERFORMANCE OF PERINI CORPORATION WHICH IS PRIME CONTRACTOR ON \$75 MILLION FAHAHEEL HOSPITAL PROJECT IN KUWAIT. ACCORDING TO HIM COMPANY IS TAKING AN INORDINATELY LONG TIME TO GET MOVING. HE SAID EIGHTEEN PERCENT OF CONTRACT TIME HAS ELAPSED, AND HE WONDERS HOW PERINI CAN HOPE TO MEET 1000 DAY DEADLINE. MOREOVER, ABDULRAZZAK CLAIMS THAT PERINI HAS BEEN UNRESPONSIVE TO HIS OFFERS OF ASSISTANCE. FOR EXAMPLE, HE OFFERED TO USE HIS INFLUENCE TO HAVE NATIONAL INDUSTRIES COMPANY, WHICH PARTIALLY GOK OWNED, PROVIDE URGENTLY NEEDED BUILDING MATERIALS TO PERINI WHILE COMPANY WAITED FOR ITS OWN SUPPLIES TO ARRIVE, BUT COMPANY FAILED TO ACCEPT THEIS ASSISTANCE. IN ADDITION, ALTHOUGH SENIOR COMPANY OFFICIALS HAVE VISITED KUWAIT OFTEN, UNTIL LAST WEEK THEY NEVER CALLED ON HIM TO DISCUSS PROBLEMS OR STATUS OF PROJECT.

2. SITUATION IS COMPLICATED SOMEWHAT BY FACT THAT ABDULRAZZAK'S FATHER A PROMINENT LOCAL CONTRACTOR IS ONE OF PERINI'S JOINT VENTURE PARTNERS. UNDERSECRETARY, HOWEVER, CLAIMS TO HAVE SCRUPULOUSLY AVOIDED GETTING INVOLVED IN MATTER WITH HIS FATHER. HE SAID HE HAS NOT DISCUSSED MATTER WITH HIM. TO MAKE MATTERS WORSE, EUROPEAN CONTRACTORS WHO WERE AWARDED CONTRACTS TO BUILD

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SIMILAR HOSPITALS ABOUT SAME TIME AS PERINI ARE EVIDENTLY NOT

HAVING SAME DIFFICULTIES AS US COMPANY. ABDULRAZZAK SAID PERINI WANTS TO BE PRE-QUALIFIED ON TWO OTHER IMPORTANT PROJECTS HERE, THE MOTORWAYS AND THE NATIONAL ASSEMBLY BUILDING, BUT UNLESS COMPANY IMPROVES ITS PERFORMANCE, HE MAY DISQUALIFY THEM FROM BIDDING.

3. COMMENT: UNLESS PERINI PULLS ITSELF TOGETHER ITS REPUTATION HERE AND MOST LIKELY IN NEIGHBORING COUNTRIES ALSO WILL BE SEVERELY DAMAGED. IT IS FIRST US FIRM TO WIN MAJOR CIVIL, NON-PETROLEUM CONSTRUCTION CONTRACT HERE IN YEARS AND WE CONCERNED OVER IMPACT COMPANY'S POOR PERFORMANCE CAN HAVE ON OTHER US CONSTRUCTION FIRMS HOPING TO DO BUSINESS HERE. PERINI REPS HAVE RATHER STUDIOUSLY AVOIDED CONTACT WITH EMBASSY. THEY HAVE TURNED DOWN INVITATIONS TO HOME OF ECONCOUNS AND TO MEETINGS WITH RESIDENT US BUSINESSMEN. WE UNDERSTAND THAT THEY HAVE BEEN UNHAPPY WITH THEIR LOCAL PARTNERS, AND THAT MORALE AMONG SOME OF THEIR PEOPLE HERE IS NOT GOOD. IN GENERAL, REGARDLESS OF WHOSE FAULT IT IS, COMPANY APPARENTLY IS NOT DOING WELL UP TO NOW.

4. WE NOT SURE WHAT TO DO IN CIRCUMSTANCES, ALTHOUGH WE THINK TIME HAS COME FOR COMMERCE/CAGNE TO AT LEAST BE AWARE OF SITUATION. WE UNDERSTAND MORGAN IS ONE OF PERINI'S PRINCIPLE BANKERS, AND WE HAVE BRIEFED MANAGER OF BANK OF KUWAIT AND MIDDLE EAST WHO IS SECONDED FROM MORGAN, WE BELIEVE HE HAS ALERTED MORGAN IN NEW YORK WITH SUGGESTION THEY DISCUSS MATTER WITH PERINI IN FRAMINGHAM, MASSACHUSETTS HEADQUARTERS. SENIOR PERINI REPS ARE LIKELY TO RETURN TO KUWAIT, AND WE THINK COMPANY IS TRYING HARD TO OVERCOME ITS INITIAL PROBLEMS. ABDULRAZZAK, FOR HIS PART, CAN BE EXPECTED TO BE AS SYMPATHETIC AS POSSIBLE, BUT HE DOES HAVE HIS OWN RESPONSIBILITIES.

5. ACTION REQUESTED: IF PERINI IS PARTICULARLY SENSITIVE TO EMBASSY/USG INVOLVEMENT, IT MAY BE BEST IF WE DO NOT BECOME INVOLVED. HOWEVER, EMBASSY WOULD LIKE TO BE AS HELPFUL AS POSSIBLE, PARTICULARLY SINCE WE ARE CONCERNED ABOUT OVERALL REPUTATION HERE OF US CONSTRUCTION COMPANIES. COMMERCE MAY WISH TO RAISE MATTER INFORMALLY WITH MORGAN IN NEW YORK, AND IF IT IS NOT THOUGHT TO BE COUNTER PRODUCTIVE WITH PERINI HEADQUARTERS IN FRAMINGHAM. IF NOTHING ELSE, WE WOULD URGE PERINI REPS TO MAINTAIN CLOSER LINKS WITH EMBASSY SO THAT WE CAN BE IN BETTER POSITION LIMITED OFFICIAL USE

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TO HELP THE COMPANY AND PERHAPS ITS RELATIONSHIP WITH MPW WHICH AS OF NOW IS NOT VERY GOOD. SINCE FORE-GOING WAS WRITTEN WE HAVE LEARNED THAT MORGAN TEAM WILL BE MEETING WITH PERINI GROUP IN FRAMINGHAM. SUGGEST THEREFORE THAT COMMERCE DISCUSS MATTER FIRST WITH BARRETT PETTIE AT MORGAN IN NEW YORK BEFORE TAKING ANY OTHER ACTION.

MAU

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